

Opening Statement of Chairman Grassley

September 21, 2000

I want to begin by thanking Senator Bond, Chairman of the Committee on Small Business, as well as the Ranking Members of both committees, Senator Breaux and Senator Kerry, for their support on this oversight hearing. I want to thank my fellow Members, on both sides of the aisle, for taking time out of their busy schedules at the end of the session to attend this important hearing. In addition, I want to thank the witnesses for being here today. Your testimony today will assist the Committee greatly in determining how best to address the matters you raise.

I appreciate everyone's cooperation in permitting me to start the hearing earlier today. I have been called to a Finance Committee mark-up on important legislation beginning at 10 a.m. Therefore, I want to try to complete this hearing by 10 a.m. today.

There has been a lot of discussion throughout the 106th Congress about retirement income security. It has been a theme for me in my chairmanship of the Aging Committee. As this Congress comes to a close we continue to work to pass legislation to help Americans create a secure retirement. (Next week, the Senate will debate the comprehensive pension reform bill that I cosponsored.)

But what if you don't have a secure retirement? Or, what if you will only receive a small pension from the Social Security Administration and your company's pension makes all the difference? Imagine retiring and applying to receive your pension benefits from a company that you worked for early in your career. You find it has since gone bankrupt. Imagine collecting a pension check for a decade only to receive a notice stating that you have been overpaid all these years. Now you owe several thousand dollars and your monthly pension will be reduced drastically. Imagine receiving an IRS notice that you underpaid your taxes because of the lump sum you received as a result of somebody's miscalculation. Now *you* face higher taxes and 20 percent penalties. Imagine receiving a \$473,000 check by mistake, as did the mother of one of today's witnesses. But, the problem didn't end there. Next, you will hear how the IRS got involved, wanting taxes and penalties on the \$473,000 mistake.

This hearing focuses on the Pension Benefit Guaranty Corporation, or PBGC, which is a wholly-owned government corporation that manages \$19 billion. PBGC's core mission is to provide timely and accurate benefits to millions of people who are covered by private sector defined benefit plans. Today we will examine how effectively PBGC has carried out its mission.

We are going to hear a lot about PBGC's benefit determination process. To simplify this discussion, we have prepared the next chart which reflects an *Overview of PBGC's Benefit Process*. I plan to leave this chart up throughout the hearing for any of the witnesses who may wish to refer to it. The chart shows seven stages of the benefit determination process. We're primarily concerned with five stages, which are numbered on the chart. Today we will hear various statistics about the length of time it takes PBGC to process final benefit determinations. It is important to keep in mind four key dates:

- date of plan termination (*reflected at Stage I*);
- date of trusteeship (*reflected at Stage I*);
- date of actuarial valuation (*reflected at Stage III*); and
- date on which the initial (or final determination) letter is sent (*at Stage IV*).

Regardless of the dates used to analyze the efficiency of PBGC's benefit process, it is important for us to keep one simple fact in mind -- a retiring individual needs to know the amount of his or her retirement at the earliest possible date -- preferably right after plan termination.

Let me be clear that I recognize many people are satisfied with PBGC. I am thankful for that. I further recognize that PBGC has a difficult job in accessing plan records from bankrupt companies and calculating the benefit. However, other people have had less satisfactory experiences. We will hear some of those stories today. Our purpose is not to embarrass an agency but to focus on how we can continue to improve the delivery of this vital service to millions of Americans.

The Committee has learned that it takes PBGC approximately 6 years from the date that a retirement plan terminates to determine the amount of a person's retirement benefit. Remember - that's the average time. From the chart to my right, you can see that some determinations take from 15 to 20 years!! That's a very long time for someone to wait before they know what their retirement income will be.

It is true that PBGC does an excellent job of ensuring that people's payments *continue* throughout the determination process. The problem arises with the uncertainty people can face for years and years. People need to know as quickly as possible the amount of their monthly retirement check. I believe that a corporation, chartered by Congress, can do much, much better. I intend to see that this situation improves dramatically.

The hearing will cover two additional topics that are directly related to the benefits determination process: contract management and computer security. PBGC's contract management is important to this discussion because more than one-half of PBGC's 1,300 employees are contract employees located in 12 offices. These contract employees process the bulk of PBGC's benefit determinations. Today, Senator Bond and I are releasing a GAO report on PBGC's contract practices. In addition PBGC's Inspector General will discuss five reports he has conducted on the length of time it takes PBGC to process benefit determinations. The Inspector General will also discuss his computer penetration study that hacked into PBGC's computer system and demonstrated its lack of security. PBGC has reported to our two Committees monthly and has made great strides to ensure that its computer system is secure.

Closing Statement of Sen. Chuck Grassley

I want to thank everyone who testified at this unusually early hearing. I especially want to thank our witnesses who flew in from out of town.

I am very disturbed by some of the testimony I have heard here today. While the PBGC has improved over the last couple years, it still has a long way to go.

As more Americans enter retirement, the Pension Benefit Guaranty Corporation will become more important.

We are urging Americans to plan for their retirement. They can't do that unless they have accurate and timely information about their pension benefits.

We hope to see noticeable progress in how the Corporation performs. This includes getting accurate determination letters out in a timely manner and making sure the computer systems, especially those with sensitive data, are secure. I would ask that OSI keep us abreast of its investigation and its referral to the Department of Justice.

The PBGC has a very serious responsibility to help ensure the retirement security of the millions of Americans who depend on the PBGC. The Aging Committee will continue its rigorous oversight of the Corporation and monitor PBGC's progress.

The hearing record will remain open for two weeks. This hearing is adjourned.